



April 20, 2015

Mr. Barry F. Mardock  
Deputy Director  
Office of Regulatory Policy  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, Virginia 22102-5090

**Re: Organization: Mergers, Consolidations, and Charter Amendments of Banks or Associations (12 CFR Part 611 (RIN 3052-AC72))**

Dear Mr. Mardock:

AgriBank appreciates the opportunity to comment on the above referenced proposed rule related to the merger, consolidation or charter amendments of Farm Credit System banks and associations.

Mergers and consolidations by Farm Credit System banks and associations remain a vital alternative to ensure that each institution is able to fulfill its public mission in the most efficient and effective manner possible. The primary financial services provided by Farm Credit System institutions today encompass a broad spectrum - from lending and leasing to multi-peril crop and crop hail insurance to risk management products. As agriculture production continues to evolve and progress, so will the need for new, oftentimes complex, and competitively priced loan products that offer multiple repayment options, including revolving credit, and a wide variety of variable and fixed interest rate alternatives. To remain viable in the future, System institutions must continually develop new channels and new products to serve an ever changing agricultural and rural landscape.

Effectively serving that changing landscape will require the appropriate level of scale of a financial services provider to ensure that there are sufficient capital resources to protect that entity, and over which to spread the costs associated with developing new financial solutions that meet the needs of the ever-changing agricultural and rural marketplace. This larger scale is necessary to develop and maintain specialized human resources, skilled in serving the many and varied industry segments of agriculture.

A financial institution with the necessary scale must have adequate resources available to enhance the focus on lending to all eligible borrowers. Those member-borrowers may have very large operations and require access to credit in very large dollar amounts, or have very small operations and have very limited loan needs. For the smaller operators, there will continue to be a need for a fast credit scorecard with rapid approval decisions based on limited



financial information. Even though the vast majority of agricultural production is in rural areas, urban agriculture is developing into a market segment that will undoubtedly be further served by the System. Those member-borrowers may be an ethnically diverse group living in urban areas, or rural home owners operating a hobby farm, and this wide range of producer types will continue to expand the need for more specialized credit resources.

FCA has a vital role to play in ensuring the safety and soundness of a merged institution. However, AgriBank believes that member-owners are best positioned to determine whether the many benefits of a merger or consolidation are in fact beneficial to those member-owners. Likewise, those member-owners are also best positioned to determine whether any negative effects of a proposed merger offset the potential benefits. Thus, after FCA has determined that the resulting institution has met FCA's safety and soundness threshold, it should defer to the judgment of the member-owners of the involved institutions to determine the appropriate corporate structure that will best serve both the short and long-term needs of those member-owners.

In addition to the comments above, we ask FCA to consider the following comments related to specific sections of the proposed regulations:

- Proposed Section 611.1122 provides that FCA may require a bank or association to hold an informational meeting prior to holding a stockholder vote on a proposed merger or consolidation. We have no objection to FCA possessing such authority and generally believe that such informational meetings can be of value to stockholders, particularly when related to a merger of associations. We are concerned however that FCA will become too restrictive in determining the manner in which such a meeting is conducted. We believe that each institution is best positioned to determine the most effective means of conducting such an informational meeting with its member-owners. Some institutions may determine that in-person meetings are the most effective means of communicating with their members. Other institutions, particularly larger institutions, some with in excess of 50,000 members, may determine that a meeting in an electronic format is the only realistic means of conducting such an information meeting. We therefore ask that FCA allow each institution to determine the best manner of conducting such a meeting, even if that meeting is being held solely at the direction of FCA.
- Proposed Section 611.1124 permits territorial adjustments when approved by FCA and the stockholders of the involved associations. The proposed regulation appears to assume that in every territorial adjustment, all existing loans in the territory to be transferred will be transferred to the transferee association. We recognize that transfers of territory may be accompanied by a sale of all loans in that territory. However, there may arise a situation in which two associations agree to the transfer of territory from one association to another, but both associations agree that all existing loans will remain with the transferor association.

The transferee association would acquire only the transferred territory, and begin to service that territory, including the origination of loans, from the date of transfer forward. We ask FCA to revise this proposed section to provide maximum flexibility to allow associations to determine how best to manage existing assets in conjunction with a territorial adjustment. Whatever approach is agreed upon by the involved associations will of course remain subject to FCA approval.

Again, we thank you for the opportunity to provide these comments. Should you need any additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, reading "Barbara Kay Stille". The signature is written in a cursive, flowing style.

Barbara Kay Stille  
Senior Vice President & General Counsel